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PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: EDUCATION AND TRAINING IN DEVELOPING COUNTRIES AND COUNTRIES IN TRANSITION

The International Conference on Accounting Development in Francophone Africa

Report of the Secretary-General

SUMMARY

Based on a survey of accounting needs in Africa, undertaken in 1989, the International Working Group of Experts on International Standards of Accounting and Reporting requested the Commission on Transnational Corporations to instruct the United Nations Centre on Transnational Corporations to take the necessary follow-up action, including the organization of two regional meetings - one for Francophone Africa, and one for Anglophone Africa. The purpose of the meetings was to discuss with interested parties the findings of the Africa survey, to identify strategies to strengthen accountancy development in Africa, to formulate project

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proposals and to select pilot projects with the objective of meeting accounting needs in the countries concerned. The first regional meeting, the International Conference on Accountancy Development in Francophone Africa, was held from 14 to 17 October in Dakar, Senegal. At that meeting, a number of project proposals were reviewed, in the following areas: accounting standard-setting and research, strengthening of the profession, and basic and advanced accounting education and training. However, the meeting was not able to select pilot projects, mainly because certain project proposals needed restructuring and elaboration. Action to be taken in that regard is discussed in this report, which recommends the establishment of an ad hoc working group to undertake the task and the organization of a consultative meeting of the working group to make the final selection of pilot projects.

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INTRODUCTION

1. At its seventh session, in 1989, the International Working Group of Experts on International Standards of Accounting and Reporting considered a report of the Secretary-General on the ways and means of improving education, research and practical training in the field of accounting and reporting in Africa (E/C.10/AC.3/1989/7). One of the Group's most important functions is to provide advisory services to countries in the process of standard-setting. The Group discussed the feasibility of providing technical assistance and agreed that in order to identify various aspects of such assistance, a survey of accounting needs in Africa should be undertaken by the Centre on Transnational Corporations.

2. The survey was conducted by the Centre, the World Bank and the International Labour Office (ILO). It was carried out between September and December 1989, mainly by means of a questionnaire which was sent to Governments, national professional accounting bodies, firms of accountants, educators, donor agencies and a number of individuals prominent in the field of accounting in their own countries. In addition to the questionnaire responses, information was obtained by personal interviews and by telephone.

3. The survey covered legal and regulatory frameworks, the supply of accountants and their education and training, and the future demand for their services. Thirty-seven countries were surveyed, and the picture which emerged is discouraging. For example, 18 of the countries have fewer than 50 fully qualified accountants each, and most of them are in the private sector, leaving the public sector seriously understaffed. While almost all countries have a professional accounting body, very few offer a national qualifying examination, which is an important constraint on the supply of fully qualified accountants. It is clear that such deficient accounting environments cannot support standard-setting activities. Hence it is unlikely that financial information will be comparable or transparent either in the public or private sector, and this ultimately results in the lack of accountability which is so widely discussed in Africa. The survey identified the following three priority areas on which future development efforts should focus:

(a) Accounting standard-setting and research;

(b) Strengthening the accounting profession;

(c) Basic and advanced accounting education and training.

4. During the Group's eighth session in 1990, the experts discussed the survey (E/C.10/AC.3/1990/11). After consultations with the Centre on Transnational Corporations, the World Bank and ILO, the Group called upon the Commission on Transnational Corporations to request the Centre to undertake appropriate follow-up action, including:

(a) Holding regional meetings in Africa with the specific purpose of discussing the findings of the survey and identifying, with the representatives of Governments, academia and the accounting profession, long-term and comprehensive strategies to strengthen accounting development;

(b) Organizing these meetings with the international aid community, including the World Bank, the International Labour Organisation and the United Nations Development Programme, as well as regional and bilateral agencies and professional organizations;

(c) Formulating, based on these strategies, pilot projects for meeting accounting needs in Africa. 1/

5. The aim of the Group was to formulate an effective technical assistance programme which would be well researched, have widespread support and approval and be capable of meeting needs identified in the survey.

6. The development objectives are:

(a) To improve accounting training and research in order to produce adequate numbers of fully qualified accountants and competent accounting technicians;

(b) To promote the use of efficient accounting systems in the public and private sectors;

(c) To implement accounting and reporting standards;

(d) To enable developing countries to participate in international standard-setting and effectively to raise issues which are important to them.

7. The survey phase of this activity has been completed. The next - and current - phase, consisting of regional meetings, has begun. One regional meeting (Francophone Africa) has been held (see para. 9); another (Anglophone Africa) is expected to be organized in 1992. The objectives of the two meetings are:

(a) To identify countries which can most benefit from a technical assistance programme in accountancy development;

(b) To identify the most useful accounting projects;

(c) To identify interlinkages between existing projects and any new projects;

(d) To approve draft pilot-project documents;

(e) To obtain the support of African officials and professionals and international agencies active in the field of accounting;

(f) To finalize at least four pilot-project designs and seek their funding.

8. Three types of pilot projects are envisaged: standard-setting and research; strengthening the profession; and basic and advanced accounting education and training.

I. INTERNATIONAL CONFERENCE ON ACCOUNTANCY DEVELOPMENT IN FRANCOPHONE AFRICA

9. The first International Conference on Accountancy Development in Francophone Africa was held from 14 to 17 October 1991, in Dakar, Senegal, under the patronage of the President of Senegal. It was organized by the Centre on Transnational Corporations and the Fédération internationale des experts-comptables francophones (FIDEF), with the support of the International Labour Organisation (ILO). It was attended by a great number of presidents and vice-presidents of national accounting councils, directors of institutes, and representatives of international organizations.

10. The Conference consisted of panel discussions, a technical session, and a review of project proposals. Panel discussions were held on the following issues:

(a) The significance of international accounting activities for developing countries;

(b) Review of the activities of the Intergovernmental Group of Experts;

(c) Accounting needs in Africa;

(d) Accounting activities of international organizations.

11. The African participants also had an opportunity to comment on certain key issues discussed by the Group, such as environmental accounting, accounting for joint ventures, privatization and organization of the profession.

12. The main panel presentations and discussions at the Conference stressed the importance of harmonization of accounting standards in attaining goals of economic integration and development; recognized the need for developing countries to participate actively in international standard-setting; and recognized the need in developing countries for both competent professionals and strong local professional associations to formulate and implement their national standards. They also stressed the need for adequate accounting training programmes and acknowledged the need for mutual recognition of accounting education/training degrees/diplomas in Africa.

13. A technical session was held, at which representatives of the Institut national des techniques économiques et comptables (INTEC) presented a new system of accounting which was developed for enterprises in market economies

and which was consistent with the European Community Directives and international accounting standards. It provided a basis for the development of national systems and could also be used as a training tool.

14. The latter part of the Conference was devoted to a review of proposals for accounting projects in the three priority areas identified by the Group as a result of the Africa survey (see para. 3).

15. The main conclusions of the Conference were:

(a) There was a need to make African leaders more aware of the importance of reliable, comparable and transparent accounting information and the role of accountants in producing it;

(b) The adoption of international accounting standards and the adaptation of national laws, rules and regulations to such standards would improve the ability to assess the activities of transnational corporations;

(c) International accounting organizations such as the Intergovernmental Group, the International Standards Committee (IASC), and the International Federation of Accountants (IFAC) should admit as members more representatives from developing countries and should improve the dissemination of information about their activities, particularly on international standards, international guidelines on education and on the activities of the organizations;

(d) There should be better coordination of accounting activities in Africa. It was suggested that a directory of training programmes be assembled, and that an update of the Africa survey be done every three years;

(e) Ways should be sought to give more value to African diplomas. It was suggested that an international project, as opposed to a national or regional one, could be undertaken by the Education Committee of IFAC.

II. REVIEW OF PROJECTS

16. Of 12 written project proposals, 10 were national projects and 2 were regional projects. The relative advantages of national versus regional projects were debated in connection with the review. In general, most African representatives at the Conference advocated national projects, whereas representatives of developed countries and international organizations present were in favour of developing some of the projects into regional projects. African representatives favoured national projects so that they could more directly capture the benefits while minimizing the costs to the host country. International and national donors were under the impression that there were certain economies of scale to be gained and that some projects in some of the smaller countries would not be feasible because of heavy infrastructure costs relative to the number of beneficiaries. However, each project - whether national or regional - must be evaluated in the light of certain criteria. It was possible that some types of activity could only be developed on a national scale whereas others could be either national or regional in scope.

A. National projects

1. Accounting standard-setting and research

Gabon

Project title: Technical Assistance for the Establishment of a Superior Accounting Council

17. The project proposal addresses needs in the areas of standard-setting and accounting research. The main objective is to establish an infrastructure for standard-setting and harmonization - i.e., an accounting council. The proposed accounting council would also promote accounting as a management tool and as an instrument for the exchange and comparison of reliable and consistent financial information.

Morocco

Project title: Technical and Logistical Assistance to the National Accounting Council

18. The project proposal deals with standard-setting and research. The objective is the institutional strengthening of the present national accounting council with a view to developing and using accounting standards to obtain reliable accounting information. The future national accounting council would elaborate and propose general and sectorial standards and coordinate and encourage activities related to accounting in the following fields: research, basic and advanced accounting education, and training.

Togo

Project title: Development of a National Accounting Plan

19. The objective of the project is to standardize different accounting systems currently used by private enterprises. The project would involve accounting standards research for the purpose of establishing a national accounting plan.

2. Strengthening of the profession

Burundi

Project title: Governmental Budget and Accounting Reform

20. The nature of the project is somewhat unclear. The objective seems to be to strengthen the capacity of the government accounting agency in order to centralize all the financial operations of the public sector. This would be accomplished by developing a system of government accounting and a Plan comptable de l'Etat, which would provide reliable information on public finances. As such, the project might be more appropriate for consideration by the Department of Technical Cooperation for Development (United Nations Secretariat) which sponsors work in government accounting.

Benin

Project title: Assistance to the National Accounting Council

21. The objective of the proposed project is to strengthen the capacity of the existing national accounting council with a view to facilitating the development of national accounting standards, including the implementation of international accounting standards, adapting Benin's Plan comptable to small and medium-sized enterprises and to specific economic sectors, such as agriculture, and provide basic and specialized development training programmes for accounting personnel.

Mauritius

Project title: Not available

22. The objective of the proposed project is to establish a joint accounting council. Very little information is available.

Mali

Project title: Strengthening the Administrative, Technical, and Financial Capacities of the National Accounting Council

23. The main objective is institutional development by strengthening the technical capacities of local professionals.

3. Accounting education and training

Rwanda

Project title: Centrale comptable et organisation

24. The focus of the proposed project is basic and advanced accounting education and accounting research and standardization. The objective is to develop and strengthen financial analysis, general management, internal controls, and accounting and financial management in public enterprises, by offering various seminars and conferences on accounting.

Gambia

Project title: Training

25. The nature of the proposed project is the strengthening of the training capabilities of the Management Development Institute with a view to achieving a higher level and wider scope of accountancy qualification. The objective of the project is to rapidly increase the supply of both professional accountants and bookkeepers for both the public and private sectors of the economy.

Mauritania

Project title: Seminars and Standards

26. The objective of the proposed project is to strengthen the accounting profession by organizing accounting education and training programmes.

B. Regional projects

27. Both of the regional projects are in the area of accounting education and training.

Senegal

Project title: Regional Project on Advanced Accounting Education

28. The main objectives are capacity-building, with a view to strengthening the infrastructure for standard-setting, and educational development of the profession.

Kenya

Project title: Regional Programme to Train Technical Directors for African Accountancy Institutes

29. The objectives of the proposed programme are to train technical directors so that they can enlarge the scope of their activities and learn training methods. This would assist them in fulfilling national needs such as developing local accounting standards, adapting international accounting standards, and carrying out research on topics relevant to local circumstances. Professional needs would also be served, by means such as the strengthening of the local accountancy body to enable it to encourage the development of accountancy in the country, to inform members of current developments in accountancy, to update knowledge and to promulgate accountancy standards. The present proposal is directed towards Anglophone Africa. It also foresees a corresponding programme for Francophone Africa.

III. PROJECT ASSESSMENT

30. In general many of the project proposals contained too little information or needed to be restructured for an objective project assessment. The risk of selecting some of the more developed proposals over the less developed ones was very great. In one way or the other, all the projects met the needs identified in the Africa survey, and countries that were potentially most in need of technical assistance in the field of accounting might be passed over if they were not encouraged to provide more details about their projects.

31. The evaluation of each proposed project should take into consideration the needs identified in the Africa survey; the preliminary project assessment made at the Conference; and additional ways and means to improve project design and project assessment.

A. Needs identified in the Africa survey

32. The Africa survey revealed that many of the problems regarding accounting needs were common to almost all African countries. The main Pan-African problems identified were the following:

(a) There are too few indigenous fully qualified accountants;

(b) Public-sector accounting is poor;

(c) Education is inadequate at all levels;

(d) Accounting technicians are of poor quality;

(e) Low priority is given to accounting standards and their enforcement;

(f) There is an overdependence on other national accounting systems and standards.

33. The specific problems of the Francophone countries were mainly the following:

(a) There is an excessive reliance on tax law for financial reporting purposes instead of internationally recognized, generally accepted accounting principles;

(b) The Plan comptable has not been updated and the Plan simplifié has not been adopted in some countries;

(c) Some local accounting bodies have restrictive membership policies;

(d) There are no national diplomas that are recognized internationally for fully qualified accountants;

(e) There is a proliferation of special-purpose public-sector auditing bodies.

34. The survey had concluded that while it was possible to identify problems that were common for groups of countries and while it might be cost-effective to design a regional strategy, individual country needs should not be forgotten.

35. The next step was to identify those countries that could most benefit from technical assistance. In order to provide a basis for further project assessment, a summary of the needs identified in the Africa survey, on a country-by-country basis, for those countries that have submitted project proposals has been attached as annex I.

B. Preliminary project assessment at the Conference

36. At the Conference an attempt to assess the project proposals was made during the concluding panel discussion. There was reluctance to rank projects, and no selection of pilot projects was made, mainly because many proposals needed restructuring and further elaboration. Instead, general conclusions were drawn, and recommendations were given for each of the priority areas identified by the Africa survey. The conclusions and recommendations also reflected the views of the rapporteurs on regional versus national projects.

37. In the area of standard-setting and strengthening of the profession, the following general observations were made:

(a) While national situations differ, the needs of individual countries are basically the same;

(b) It might be better to invigorate existing projects and infrastructures than to start new projects;

(c) It is not clear what role Governments shculd or would have in the projects.

38. It was recommended that some of the projects be restructured in order to improve their chances for funding and implementation. The following points were made:

(a) If a standard-setting organization is to be established, its objectives must be clearly and specifically stated;

(b) Standard-setting would not end once the standards were written;

(c) The possibility of an organization to implement standards must be provided for in the projects;

(d) Methods needed to be proposed for disseminating the standards;

(e) Coordination across borders among standard-setting bodies and national organizations was necessary. .

39. While most of the project proposals in the area of accounting education and training would stimulate the supply of accountants, there were few project proposals that would promote the demand for accountants. Furthermore, it was emphasized that training should be adapted to economic reality such as the size of an enterprise, whether public or private. Therefore, different types of accountants would have to be trained. Since the accounting principles followed in Africa were mainly for larger enterprises, they needed to be adapted to small enterprises.

40. Since worldwide standardization of accounting practices was leading to a standardization of accounting education, it would be advisable to avoid creating a national system that would later have to be harmonized. It might be best to adopt international educational guidelines from the beginning.

41. It was considered necessary to enlarge projects beyond national frontiers to take into consideration common training schemes, common development of materials and common exams. The goal should be to use existing physical structures as far as possible. It was suggested that national institutions could form a network, with each specializing in a particular development task. The networks could exchange information about programmes, curricula, trainers, teaching materials etc. In addition, a catalog of information about the content of the various training programmes could be put together in order to start a network.

C. Additional ways and means of improving project design and project assessment

42. In order to complement the project assessments made at the Conference, other considerations need to be taken into account when identifying and

designing possible accounting projects in Africa. In a recent discussion of its technical assistance projects, the ILO pointed out that some accounting projects were based on criteria that, although relevant in a developed society, might have little relevance in Africa and consequently did not promote overall accounting development there. The ILO drew attention to the complex environmental forces in Africa, which must be taken into account if a project was to succeed but which the project itself could not control. One way to identify those forces was to work with local people. It was suggested that the best settings were workshops, where selected influential individuals representing various groups (employers associations, accounting associations, training centres, development banks etc.) could discuss and analyse the environmental forces that would affect the project. Once the environmental forces were classified - positive or negative, impelling or impeding - an assessment of the importance of each should be carried out. The strategy was based on strengthening the positive forces and ameliorating the negative ones in order to achieve project objectives. According to the ILO, it was vital to get influential people to agree on the forces and keep them committed to a development strategy if an accountancy project was to succeed. One way of building and sustaining commitment was to organize workshops and seminars where interested parties "brainstormed" ideas, prepared a list of environmental forces, and then created strategies to deal with them.

43. Examples of environmental forces are given in annex II and the figure attached to it. Annex II lists some environmental forces that favour and disfavour accounting development. It also describes their degree of influence on the project. They are classified into the following six groups: economic; educational; political/governmental; cultural; professional; and donor-agency systems. The figure gives examples of positive (impelling) and negative (impeding) forces in accounting development.

44. The ILO has also considered a possible instrument for evaluating the design of new accounting development projects. The proposed instrument, described in annex III, consists of the following five groups of test criteria:

(a) Political and governmental support;

(b) Critical key purpose;

(c) Viable target population;

(d) Valid assumptions in a supportive environment;

(e) Plans for supervision and flexible adaptation.

45. Each of the groups has a test score between 0 and 20, and the total score a project can receive is 100. If a project receives more than 80 points, the design is considered excellent; between 51 and 79 is acceptable. If the project score is below 50, there is a clear need to redesign it.

46. In group 4 the environmental forces described above would be taken into account. The instrument is an additional way to test the viability of new accounting projects. It could also serve as a reminder in design and redesign and in any further assessment of project proposals.

IV. RECOMMENDATIONS FOR FURTHER WORK

47. The Conference was the first occasion at which so many representatives of the accounting profession - from both developed and developing countries, international organizations, Governments, and other interested parties - were gathered to discuss accounting development in Africa.

48. Regarding further work, it was suggested that the project proposals required further elaboration in order to facilitate the selection process. An ad hoc working group could be created with members from developing countries, developed countries and international organizations. It would take the following actions:

(a) Further analyse and refine the project proposals in the light of the findings of the Africa survey, the project assessments made in Dakar and the suggestions for additional ways and means of improving project design and assessment as described in the present report;

(b) Contact country representatives concerning additional questions that might arise and possible project restructuring and redesign;

(c) Organize programming missions. Once possible pilot projects have been identified and a preliminary selection made, missions would be undertaken by one international expert and one national expert. They would identify all appropriate participants, both national and international, and would draw up the final project design and a plan of action, including the responsibilities of all parties;

(d) Organize a consultative meeting (of the proposed ad hoc working group) to which all interested parties would be invited, in order to discuss and evaluate project proposals; "brainstorm" additional ways and means of improving product design and assessment, as described in the present report; discuss and agree on a coherent strategy for the further development of national versus regional accounting projects; and select pilot projects.

Notes

1/ See E/C.10/1990/7.

Annex I

ACCOUNTANCY NEEDS IN SELECTED AFRICAN COUNTRIES ACCORDING TO THE AFRICA SURVEY

Benin

Technical assistance measures should be taken in the field of standard-setting to formulate accounting standards appropriate to the local environment and to train standard setters in international, generally accepted concepts, principles and practices. A statistical analysis of the accounting profession is also much needed. Finally, steps should be taken to make the Conseil national de la comptabilité operational.

Burundi

It is widely acknowledged by managers in government and in public and private enterprises that the quality of higher education in the field of accounting is inadequate and is steadily deteriorating. Most graduates in Sciences économiques et administratives do not meet the minimum requirements of the accounting profession. The need for nationals who are competent accountants at all levels of the profession is enormous, and the demand far exceeds the supply, one result of which is the perpetuation at enormous cost of expatriate accountants. Thus it would appear that the accounting profession needs to be organized and its access regulated.

In addition, although the need to improve accountability is globally perceived at all levels, accounting is still not yet understood as a management tool and is looked upon as a perfunctory exercise.

There is also general agreement that the Commissaires aux comptes have doubtful professional qualifications. If they were required to submit proof of qualifications, the majority of civil servants at present monopolizing the auditing of public enterprises would be disqualified. Hence, fierce resistance to any changes is to be expected in the Ministry of Finance.

Consideration could be given to the following:

(a) Enactment of new legislation governing private enterprises, including audit requirements;

(b) A review of the role and responsibilities of the Inspection générale des finance and the organization of help in building its capabilities - that is, training a core staff of that office;

(c) Review and redesign of the Plan comptable national to adjust it to the business environment and conditions in the country;

(d) Establishment of an accountancy body which would define rules and standards for the accounting profession and auditing practices in the country.

Gambia

The accountancy profession in the Gambia needs to be developed. There is a very long road ahead. The Association of Accountants is very small and is run by volunteers. It is currently attempting to gain statutory recognition, but this is a slow process. Students wishing to become accountants are hampered by a poor educational system, which does not provide any high-level professional accounting tuition, and they are not successful in correspondence courses. The Government has been lax in its own accounting systems, and only recently has its staff been given financial management training. The accounting profession feels that government backing for the profession is essential if accounting is to be developed in the Gambia.

Kenya

Unlike many African countries, Kenya has a professional accountancy body which is responsible for the formulation of accounting and reporting standards and for the code of ethics for the profession. Unfortunately, the educational system suffers from many deficiencies, particularly from a lack of funds necessary for the remuneration of full-time lecturers.

The accountancy profession is well remunerated in the private sector, but the annual supply of accountants is insufficient to meet the demand. Several recommendations could be considered to remedy those deficiencies:

(a) Improve the education system to provide better training and financial assistance to teaching bodies;

(b) Organize better planned and standardized training courses, particularly for those working in the public sector;

(c) Increase remuneration for the teaching staff;

(d) Design an adequate worker planning programme for the accounting profession;

(e) Systematize public-sector auditing and introduce strict mandates and standards of supervision.

Mali

Appropriate measures should be taken in the field of standard-setting to formulate accounting standards and generally accepted accounting principles. Training of standard setters through technical assistance is considered essential. Training programmes for accountants should be revised with a view to meeting business requirements. An overall coherent policy of accounting education and training and retraining of accountants would constitute a major improvement in the application of accounting standards and related principles and practices.

Mauritania

Technical assistance measures should be taken to train standard setters in international accounting, and a survey should be conducted concerning accounting standards and compliance. An official, national programme of accountancy training is desirable. Closer collaboration between international accounting firms and accounting apprentices is needed. The level of proficiency of practising accountants in industry and commerce should be raised by means of continuing education programmes, while the accountants who are at present theoretically at the professional level should obtain the training that would enable them to function better.

Mauritius

Mauritius has a thriving accountancy profession, with over 1,600 students studying for accountancy examinations. The Government recognizes the need to regulate accounting practices and recently established the Mauritius Accounting and Auditing Standards Committee, which will formulate and publish accounting and auditing standards and guidelines. The profession is not, however, represented by a statutorily recognized body, nor does it have its own set of examinations. The Association of Accountants of Mauritius has been trying to sponsor a bill through Parliament to remedy the situation, but its attempts have not been successful. As a result, the Association is not very highly regarded in Mauritius, and many accountants prefer to look for assistance to their United Kingdom body. Studying for United Kingdom examinations is the main difficulty facing development of the profession in Mauritius, since there is only limited low-level tuition available on the island.

Morocco

The accounting system in Morocco is not well developed, since there is no legal or regulatory framework for accounting standards and the disclosure of information. The adoption of the Plan comptable marocain will help to improve information disclosure, but it will also increase the demand for accountants. The establishment of a national diploma in accounting would increase the supply of accountants. Morocco needs technical assistance for several reasons:

(a) The supply of staff is inadequate, particularly for accounting technicians, and there is definite need for improvement in quantity and quality. Too often the professional qualifications of the technicians are unsuited to the needs of the market. Technical assistance could be used to create more management schools with specialized courses in accounting and better training for teaching staff with practical experience, and more teaching materials, such as computers. Morocco also needs improved on-the-job training. At present, there is no relationship between the business world and the schools and universities. Students are not taught the necessary skills, with the result that business offices often refuse to accept trainees.

(b) If Morocco joins international professional organizations, it will be obliged to respect international accounting standards. The National Accounting Council, a standard-setting body, will be responsible for the establishment and maintenance of those standards, which will be implemented successfully if the profession is well organized and is adequately regulated, both in terms of entry and a code of ethics.

Rwanda

There is general consensus that the accounting profession needs to be organized and regulated. There is also agreement that appointment to the post of Commissaire aux comptes should be subject to proof of professional qualifications. Thus, consideration could be given to the following:

(a) Enactment of new legislation governing private enterprises, including audit requirements;

(b) A review of the Plan comptable national with a view to streamlining its implementation and to improving coordination between the Ministries of Finance and of Planning regarding the monitoring of the Plan and the preparation of the tableaux de synthèse;

(c) The establishment of an association of accountants;

(d) A test of the Government's willingness to increase the annual number of accountancy graduates of the Université nationale du Rwanda.

Senegal

In the field of standard-setting, a survey to measure the level of compliance with mandatory standards of accounting would be useful. Technical assistance would also be appropriate for formulating accounting standards and training standard setters in international accounting principles. A revision of training programmes for accountants would be advisable in order to provide instruction in the comprehension and utilization of generally accepted accounting principles applied on a consistent basis so as to provide reliable and meaningful financial accounting information to users. Effective training for professional-level accountants should be offered. It would not only assist in filling the demand for accountants, but would also perhaps create a more positive image of accountancy and thereby enhance the role of professional accountants in the promotion and application of accounting standards.

Togo

The formulation of accounting standards is essential. The activation of the Conseil national de la comptabilité and the adoption of a plan comptable

based on the actual requirements of business enterprises are necessary steps that should be taken in order to provide a framework for proposing solutions to theoretical and practical accounting problems and to advice on proposed accounting rules and recommendations. Technical assistance will be enhanced with the eventual establishment of a training institution for certified public accountants and the improvement of present educational and training programmes in the field of accounting and auditing.

(NOTE: Gabon was not examined in the Africa survey.)

Source: "Accountancy development in Africa: challenge of the 1990s" (ST/CTC/109).

Annex II

PRELIMINARY LIST OF ENVIRONMENTAL FORCES FOR AND AGAINST ACCOUNTING DEVELOPMENT, WITH ROUGH ESTIMATES OF THEIR STRENGTH a/

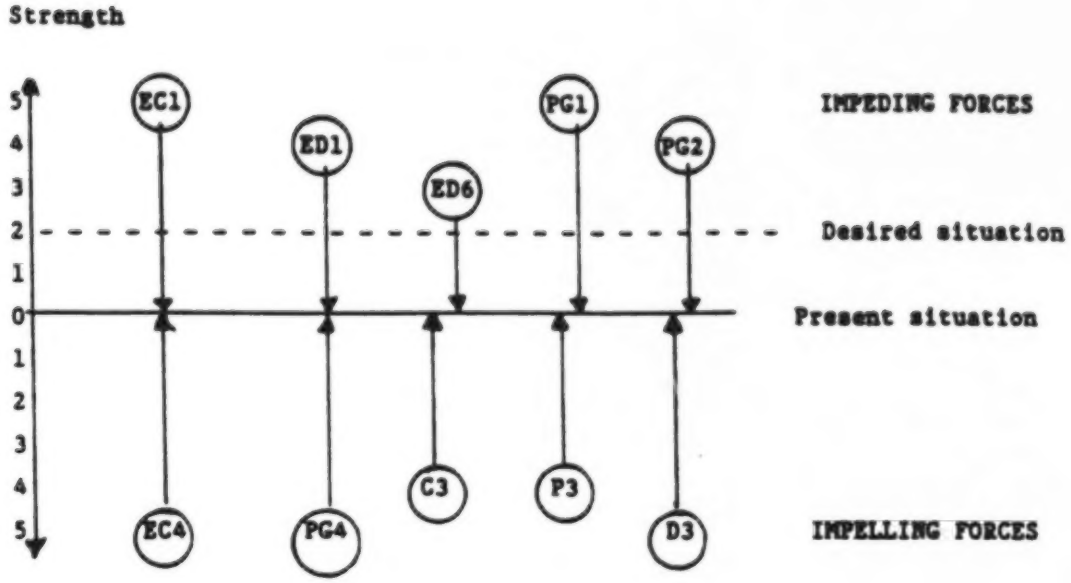
	Force	Strength
	Economic	
EC1	Dependence on markets for commodities and raw materials	- 5
EC2	Dependence on donors for "bailing out" balance-of-payments deficit	- 5
EC3	Desire for economic progress	+ 5
EC4	Desire of country to mobilize and direct investment capital	+ 5
	Educational	
ED1	High entrance requirements	- 4
ED2	Long time to complete basic education qualifications	- 3
ED3	Accounting curricula copy those of donor countries	- 3
ED4	Conservative educational establishment	- 3
ED5	Strained educational budgets	- 3
ED6	Lack of low-cost relevant accounting textbooks	- 4
ED7	Lack of local research	- 3
	Political/governmental	
PG1	Post-independence government fragility	- 5
PG2	Fragility increases need for confidentiality in government finance	- 4
PG3	Poorly paid government accountants lack status	- 3
PG4	Desire for political stability	+ 5
PG5	Desire for efficient public service	+ 5
	Cultural	
C1	Group feeling more important than professional independence	- 2
C2	Unfamiliarity with complex commercial arrangements	- 2
C3	Desire for prosperity	+ 4
C4	Respect for authority	+ 4
C5	Security of employment versus effective service	- 2
	Professional	
P1	Local professional traditions not yet well developed	- 1
P2	Expatriates wish to remain in privileged positions	- 3
P3	Desire for professional status and employment	+ 4

	Force	Strength
	Donor-agency systems	
D1	Bilateral donors prefer to set up their own systems with their own nationals as experts	- 3
D2	International agencies have done too little research on local accounting needs	- 1
D3	Desire and mandate to "do good"	+ 5

Source: International Labour Office, Entrepreneurship and Management Development Branch, "Dynamics of accounting development in Africa". Working paper (26 May 1987).

a/ Strength is shown on a scale of - 5 (most impeding) to + 5 (most impelling).

Figure. Examples of impeding and impelling forces in accounting development, based on list in annex II



Annex III

INSTRUMENT FOR EVALUATING a/ THE DESIGN OF NEW ACCOUNTING DEVELOPMENT PROJECTS

Criteria, by group	Maximum points
1. Political and government support Political and government stability; support of a powerful political leader willing to "own the project"; real priority for the project; demonstrated willingness to commit local resources for the full government contribution; absence of "political fictions" in the project; document history of other successful projects; real plans for continuity after the project horizon	20
2. Critical key purpose Clearly defined; limited; realistic; achievable in the project horizon; related to factors of accounting demand, supply, quality and environment; related to resources now and later; technical rather than political; well recognized in the country as necessary	20
3. Viable target population Available; qualified; stable; motivated; enduring interest; sufficient numbers; opportunities for women; educational background adequate; opportunities for improvement related to the limited home environments	20
4. Valid assumptions in a supportive environment Realistic in relation to the environmental forces; political, economic, educational, social, cultural, organizational, etc.; properly researched; without political fictions; enduring; conservative and not overly optimistic	20
5. Plans for supervision and flexible adaptation Regular monthly and quarterly supervision provided for in the project document and realistic in relation to the available communication systems; planned flexibility to adapt for changes in the project resources, environment and assumptions	20
Total maximum score	100

Source: International Labour Office, Entrepreneurship and Management Development Branch, "Dynamics of Accounting Development in Africa". Working paper (26 May 1987).

a/ Assessment:

80-plus	Excellent
51-79	Acceptable
Under 50	Need for design changes?

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NATIONS

E

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Item 3 (c) of the provisional agenda*

PROGRAMME OF WORK OF THE INTERGOVERNMENTAL WORKING GROUP OF EXPERTS ON INTERNATIONAL STANDARDS OF ACCOUNTING AND REPORTING: PREPARATION FOR THE 1993 SESSION ON EDUCATION AND TRAINING IN DEVELOPING COUNTRIES AND COUNTRIES IN TRANSITION

Review of accountancy education and training programmes in Central and Eastern Europe

Report of the Secretary-General

SUMMARY

The objective of the various technical assistance programmes in accountancy education in Central and Eastern Europe is to retrain educators, government officials and practitioners and thus facilitate the transition of those countries to market economies. This report contains a discussion of the benefits and problem areas of such programmes and a short factual review of each, by country.

* E/C.10/AC.3/1992/1.

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I. INTRODUCTION

1. The authorities of Central and Eastern Europe have taken measures to further the region's integration into the world economy by modernizing their accounting systems, using international standards. It is one thing, however, to redesign an accounting system, and quite another to make it operational. In the radical transition to a market economy, many internal and external players must be prepared to devote time, effort and resources to the training of those involved in implementing the new system. In particular, those providing accounting and financial services, under whatever name or title, must learn to appreciate how a market economy operates and both why and how accounting and reporting systems must be changed to facilitate its operation.

2. Therefore, the objective of the various technical assistance programmes in accounting education in the countries of Central and Eastern Europe is to create an appropriately educated cadre of accountants and managers by retraining educators, government officials and practitioners, and thus to facilitate the transition of those countries to market economies.

A. New challenges in learning

3. To make the transition to an accounting system based on international standards, accountants in Central and Eastern Europe must expand their conceptual base. Accounting and finance personnel must be trained not only in the new system but also in the concepts that underlie it. This is a challenging task, particularly in a transition period when new economic structures are not sufficiently numerous to convey a sense of the role and functioning of accounting in market economies. This means that personnel will have to be retrained in international accounting principles that rely on the concepts of going concern, economic entity, monetary unit, principles of historical cost, revenue recognition, matching of costs with revenue, full disclosure; and the constraints of cost/benefit considerations, materiality, conservatism, and industry practice. Some of these concepts may not be new but under new approaches to accounting, they may be applied in different ways.

4. In addition, accountants will need to view themselves in new roles; that is, they will be learning that in market economies an accountant has largely left recording functions to electronic equipment and is concerned almost exclusively with directing management's attention to areas which suggest the need for solving problems, in which the accountant generally participates. So, accounting must be recognized as an information system requiring considerable use of judgement by both the preparer and the user of its output. Accounting personnel have long been accustomed to very explicit, mandatory accounting practices where penalties could be exacted from the employee personally for non-compliance and punitive legislation possibly enacted retroactively. Under uncertain conditions, extra efforts have to be made to encourage a professional interest in taking on responsibilities for making accounting decisions in the face of possible inclinations to return to a score-keeping orientation.

5. As a preparer and user of accounting information, the accountant may be involved in system design. This requires him, or her, to consider and analyse the organization's structure, the flow of information through the various organizational units, and the implications for internal control.

6. An understanding of organizational internal control and how it affects the reliability of financial information is fundamental to the practice of auditing. In external auditing, the independent auditor must judge the fairness of presentation of the financial statements in the light of the reliability of the company's system of internal control and the relative degrees of risk assessment and statistical sampling; develop analytical abilities when reviewing management representations; and appreciate the international standards of audit quality that prevail in the carrying out of an engagement with technical competence and proficiency.

7. In the former command economies of Central and Eastern Europe, auditing as a field of specialization was neither taught nor tested in the training programmes required for an "expert accountant". This means that, in future, considerable attention will have to be given to training candidates in the techniques that are used in assessing the financial condition and results of operations as well as in evaluating, through analytical review, the relevance, reliability, and consistency of financial data.

8. Added to this is the problem that most new accounting and/or auditing laws require annual audits of certain enterprises for either the protection of shareholders or tax purposes. In Hungary, for example, the new accounting act requires a very large number of enterprises to be audited. This will create a tremendous demand for auditors. International accounting firms can cover only 10-15 per cent of the total hours required to undertake these audits. In Russia, the draft law on auditing will require an annual audit of every enterprise paying taxes. There are approximately 1,000 practising accountants, foreign and domestic, who might be able to undertake such audits. Therefore, vast numbers of auditors will have to be trained to meet the new legal requirements being imposed in Central and Eastern Europe.

B. Requirements of training courses

9. Those designing training courses for accountants and auditors, particularly experts from other countries, should tailor them to the needs of the particular audience. Too often, trainees report that the trainers have had little - if any - understanding of the existing body of knowledge and aimed their presentations at too low a level of understanding. The accounting systems of Central and Eastern Europe, for example, are basically constructed on the pre-war-German (Schmalenbach) model which was developed during the 1930s and spread across most of Europe during the following decade. Consequently, the basic bookkeeping concepts are well understood. What needs to be stressed at the introductory levels is how the existing system needs to be adapted to fit the needs of a market economy. Thus trainers should have an understanding of both systems in order to draw comparisons, highlight

differences, and emphasize new methods. Trainees may have been accustomed for some time to considering themselves experts in their field. Learning will be enhanced when topics are presented in such a way as to build on their existing knowledge and strengths.

10. Language differences may present problems of comprehension, even though the trainees may be fluent in the language of the foreign trainer. The same word may mean different things in different cultures. For example, the term "preferred stock" may be presented so as to mean a stock which is preferred (gets preferential treatment) compared to dividends but may be understood as stock which may be purchased at a preferential, or employees' discount, price. This is just one possible semantic difficulty. Some trainers have found it useful to have an observer on hand who is familiar with both systems and both languages and who can intervene, appropriately, when there are possible, but unobtrusive, misunderstandings of the material.

C. Role of education in the reform process

11. Education should go hand-in-hand with reform, and not only should international principles be taught but also the new national standards and how to apply them. This is difficult when the various programmes are not integrated into a comprehensive reform plan but are merely a series of uncoordinated, ad hoc efforts by different national institutes and universities. Education programmes should be periodically re-examined and updated by the organizers and sponsors to assess quality, local developments and impact. The use of international educational guidelines would greatly assist in developing methodology and curricula for accountancy training. Also, while there is need for immediate practical assistance, there should also be a long-term view: any programme should be designed to be self-sustaining.

12. Technical cooperation programmes contain benefits for both donors and recipients. Education and training programmes are helpful to the Western public and to private sponsors in forging contacts with Governments and potential partner bodies in the countries of Central and Eastern Europe. While foreign contributions to accountancy and management development are essential, the multitude of offers and the varying content and quality of programmes can be, at best, challenging and, at worst, confusing to local beneficiaries.

13. To maximize benefits, the local government must set its training priorities before accepting external aid or training programmes. It would be helpful to create a list of training requirements, possibly assembled by an expert group, and to list them in terms of relative importance. It is essential for all training programmes to be coordinated so that there is consistency in the various course offerings and the ways in which they are taught.

14. Governments must realize that there is much commercialization and competition among external trainers. The only way to maximize the benefits of

training, so that it will accomplish the Government's objectives, is to set the goals requirements, and priorities before accepting the programmes offered. As experience is gained, market economies develop, and training programmes take hold, the benefits of coordinated investment in human resources will become apparent.

II. OVERVIEW OF NATIONAL TECHNICAL ASSISTANCE PROGRAMMES

A. France

15. The Institutes of the Ordre des experts comptables and the Compagnie nationale des commissaires aux comptes have been assisting government departments and/or the emerging professions in Bulgaria, Czechoslovakia, Poland and Romania for the past two years. Short courses have been partly financed by the Government of France with the balance being financed by the Institutes.

16. The French approach has been to help government departments in charge of accounting methodology establish a legal basis for accounting (law, decrees, government regulations) compatible with the European Community's (EC) legal framework (accounting directives) and international standards. This has included helping the countries to draw up, when they wished, a national chart of accounts or any other instrument deemed necessary to harmonize accounting practices within the country and permit large-scale education.

17. The French have also developed for enterprises in a market economy a system of accounting which is compatible with both the EC directives and international accounting standards. Called Système comptable d'entreprise, it can be used by the countries of Central and Eastern Europe to develop their own national systems, and for "training the trainers" courses. Four hundred and seventy persons were trained locally for three weeks in the countries of Central Europe by French professional accountants using the système. All of the teaching materials were available in local languages. The courses were delivered in French with simultaneous interpretation. Those trained included chief accountants, educators and government officials in charge of drafting new statutes.

B. Germany

18. The Government of North Rhein Westfalia sponsored a number of seminars which were carried out by the international accounting firm of Klynveld Peat Marwick Goerdeler (KPMG). The total sponsorship of the seminars came to about DM 2,500,000.

C. United Kingdom of Great Britain and Northern Ireland

19. Government agencies, professional bodies and the private sector of the United Kingdom have been active in technical assistance. The Foreign

Office and the Overseas Development Administration have set aside funds for technical assistance to Czechoslovakia, Hungary and Poland. These funds are being administered by the British Council with an emphasis on training projects. The Know-How Fund exists to help developing countries and countries in transition organize their reform programmes. It provides expertise and training in such areas as banking, accountancy and finance, public administration, privatization, small businesses and management training.

20. The Institute of Chartered Accountants in England and Wales and the Scottish and Irish Institutes have been involved in training, arranging secondments to United Kingdom accountancy firms and visits by government officials, and providing study materials. The Institutes have also set up joint associations with professional accountancy bodies in Central and Eastern Europe. These joint associations sponsor lectures, workshops, visits abroad and internships. In addition, firms of chartered accountants have helped with training programmes in the Central and Eastern European countries themselves - for instance, at newly established business schools, and more directly in training professional staff in their own offices, both locally and in the United Kingdom. The major accountancy firms have over 30 students from Central and Eastern Europe who have come to the United Kingdom to train as British chartered accountants.

21. In the United Kingdom, the Central Europe Accountancy Training programme was established to support accountancy and management training in business and finance. It was created as a joint venture between The Chartered Association of Certified Accountants (ACCA) and the Central Europe Trust Company, one of the leading bodies involved in privatization in East Central Europe.

22. Its activities are aimed at both Western companies wishing to establish themselves in Central and Eastern Europe and local enterprises. The training programme includes a range of short courses covering business strategy, finance and accounting. The programme caters to the needs of accountants and managers in other disciplines and is given in English and the appropriate Central or Eastern European language.

D. United States of America

23. In 1991 the United States Agency for International Development (USAID) and the United States Information Agency (USIA) announced $18 million in funding for a broad programme of economic training and education in Central and Eastern Europe. The programmes will include projects designed and delivered by 32 United States colleges, universities, and other organizations, through their counterparts in Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia.

E. United Nations

24. The United Nations Centre on Transnational Corporations has been active in accounting education in the former USSR. Its programmes are part of a larger project to assist the former USSR to make the transition to a market economy and to facilitate the inflow of foreign direct investment. The Centre has developed an integrated approach to accounting reform, accounting education and strengthening of the profession. It is the co-sponsor of the International Task Force on Improvements in Accounting, which modernized the chart of accounts for use in the independent States. Successful implementation of the chart, which has been adopted by the Russian Ministry of Finance, will require training and education programmes.

III. COUNTRY REVIEWS

A. Bulgaria

25. The development of accountancy standards is the responsibility of the National Accountancy Department in the Ministry of Finance. On 3 January 1991 the Accounting Law was passed by the Bulgarian Parliament. On 20 February 1992 the Government approved the National Accounting Plan. Both Law and the Plan are in compliance with international standards and EC directives.

1. European Community/French programmes

26. The European Commission has undertaken an accountancy development programme in Bulgaria. The aim is to develop the accounting profession by way of education and training and to help with the establishment of an accounting system, including legislation. The budget for this programme is approximately ECU 2.6 million.

27. In November 1990, at the request of the Government of Bulgaria and with the financial support of the European Commission's PHARE (Poland and Hungary Assistance for Economic Restructuring) Unit, an expert group, organized by the Federation des experts comptables europeens (FEE), visited Sofia to carry out a study of the need for improving management information and accounting and auditing practices in Bulgaria. The report containing the group's recommendations was submitted in December 1990 and was accepted by both the Government of Bulgaria and PHARE. Implementation was discussed with the World Bank, and it was expected that the project (which will cost approximately ECU 2,000,000 over three years) would begin in the fall of 1991. The project will address the status of accountancy in Bulgaria and the experience of Bulgarian accountants, education and training, current and prospective legislation, structural issues, Bulgarian and Western accounting concepts for managers, and professional ethics. Preliminary work has already commenced on arranging "pathfinding" visits by 15-20 Bulgarian accountants and educators to Western Europe. The project provides for the training of 20 experts in West European countries. Approximately 100 lecturers in accountancy and about

1,000 accountants will be trained in Bulgaria with the assistance of West European experts. Training members of the Accountants' Guild was carried out following the enactment of the Accounting Law and the National Accounting Plan. The contact organization in Bulgaria is the Bulgarian Ministry of Finance.

2. United Kingdom programmes

28. The Institute of Chartered Accountants in England and Wales and the Scottish and Irish Institutes in 1990 signed a cooperation agreement with the Union of Bulgarian Accountants. In 1991, the Institute of Chartered Accountants in England and Wales managed a series of visits for a number of Bulgarian accountancy experts on behalf of the European Commission's PHARE project. The programme involved placements and training in the United Kingdom for seven participants (one Ministry of Finance official, five university lecturers and one industry accountant). The programme was offered in English and was conducted in August and September 1991. The secondments were eight weeks per person. The programme consisted of a two-week business and language training course at a training school in the United Kingdom, a week of briefings by professional accountancy bodies in London, four-week attachments to a firm of chartered accountants, and a final week comprising a computer business simulation and visits with various government departments and with academic and other bodies. All training and experience emphasized the Anglo-Saxon method of accountancy. The programme was not linked to any accounting reform occurring in Bulgaria and was arranged according to the Bulgarian Ministry of Finance requirements. It comprised the United Kingdom element of the PHARE programme for Bulgarian accountancy "pathfinders", which embraced the simultaneous secondment of expert groups to France and Germany. No further secondment programmes are currently planned.

B. Czechoslovakia

29. The responsibility for accounting regulation rests with the Czech Ministry of Finance. It has a draft law of accounting which complies in part with the fourth and seventh EC directives. It is expected to come into force during 1992-1993.

1. French programmes

30. The French Institutes have signed agreements with the Czech Ministries of Finance. In 1991 special courses in accounting were arranged by the Government of France for experts from the Ministries of Finance. A staff of 18 French professionals trained 150 persons in accounting in a market economy on the basis of the système comptable d'entreprise. The courses were conducted over six weeks in 1991. The Government of France also arranged four three-week courses for accountants and a one-week information seminar for auditors, which was held in Paris for 10 participants.

2. German programmes

31. In 1991 KPMG conducted five 10-day workshops in major Czechoslovak cities on accounting and auditing according to Western standards. The participants were finance directors and chief accountants. The sponsor was the government of North Rhein Westfalia, and the local organizer was the Czechoslovakian Accounting and Auditing Association.

32. In 1991 KPMG also conducted five 10-day workshops on banking and financial transactions. The participants were bank managers at the second and third levels in their organizations. The sponsor was the government of North Rhein Westfalia, and the local organizer was the Czech State Bank.

3. United Kingdom programmes

33. An introductory course on accountancy was conducted for key officials in the financial sector. A one-week course on accounting and a one-week course on auditing were offered with the Chartered Association of Certified Accountants (see para. 39) which was funded by the Know-How Fund in 1990 and 1991 at a cost of £17,500.

34. The British Know-How Fund is planning further training activity for auditors and senior financial managers in industry, and is establishing links with schools of economics in Prague and Bratislava.

35. In 1990, the Institute of Chartered Accountants in England and Wales managed a series of visits and internships for a number of Czechoslovak accountants on behalf of the British Know-How Fund. The programme involved placements and training for eight participants - two Ministry of Finance officials, two university lecturers, one student, two industry accountants and one director from the Institute for the Handicapped. It was offered in English and was conducted from July to December 1990. The internships lasted between 8 and 12 weeks per person. The cost for the 1990/91 programme was £26,000.

36. The programme began with a one- or two-week business and language-training course at a training school in the United Kingdom. The course was followed by a briefing by professional accountancy bodies and an internship to a firm of chartered accountants for up to eight weeks. All training and experience emphasized the Anglo-Saxon method of accountancy. The programme was not linked to any accounting reform occurring in Czechoslovakia. It was arranged according to requirements of the Czechoslovak Ministry of Finance.

37. In 1991, the Institute of Chartered Accountants in England and Wales arranged a second series of visits and internships for Czechoslovak accountants, on behalf of the British Know-How Fund. Sixteen working accountants or civil servants from the Ministries of Finance were trained and placed with various London accounting firms. The participants included

10 Ministry of Finance officials, 5 university lecturers and 1 accountant from industry. The programme was offered in English and conducted during March and June 1991. The internships lasted six weeks per person. The programme consisted of a two-week business and language-training course at a training school, a two-week course with the Chartered Institute of Public Finance and Accountancy (for seven interns only), short visits and internships to firms and government departments (for seven interns only) and a four-week internship to a firm of chartered accountants (for nine interns). The cost of the 1991/92 programme was £69,000. All training and experience emphasized the Anglo-Saxon method of accountancy. The programme was not linked to any accounting reform occurring in Czechoslovakia. It was arranged according to requirements of the Czechoslovak Ministry of Finance. No further internship programmes are currently planned.

38. The Institute of Chartered Accountants in England and Wales and the Scottish and Irish Institutes joined in 1991 to set up the Czech-British/Irish Accountancy Association.

39. The Chartered Association of Certified Accountants (ACCA) conducted a one-week accountancy training programme, "Introduction to accounting", in Prague for the Czech and Slovak Unions of Accountants. There were 30 participants. The programme was taught by personnel of Leads Polytechnic Institute and was funded by the United Kingdom Know-How Fund.

C. Former German Democratic Republic

40. In 1989 KPMG sponsored a one-day workshop, "How to evaluate an enterprise". The participants included former high-level managers. The sponsor and organizer was the Dresdner Bank.

41. In 1989-1990, 12 half-day workshops on management accounting were held in Dusseldorf for high-level managers. The sponsor and organizer was the Deutsche Bank.

42. In 1989, KPMG conducted a two-day workshop, "Corporate structures and accounting" in Cologne for high-level managers. The sponsor and organizer was the educational foundation, Carl Duisberg Gesellschaft.

D. Hungary

43. The responsibility for accounting regulation rests with the Ministry of Finance. The Accounting Act came into force in 1992. It largely complies with the fourth and seventh EC directives. It requires a very large number of enterprises to be audited. There is domestic capacity, including the major international accounting firms, to cover only 10-15 per cent of the total hours required to complete the audits according to the new Law.

1. German programmes

44. In 1989-1990, KPMG conducted five 10-day workshops in Budapest on accounting and auditing according to Western standards. Participants included financial accountants and chief accountants. The sponsoring agency was the government of North Rhein Westfalia, and the local organizers were the Hungarian Accounting and Auditing Association and the Hungarian Ministry of Finance.

45. In 1991, KPMG conducted five 10-day workshops in Budapest on accounting and auditing according to Western standards. The participants were finance directors and chief accountants. The sponsor was the government of North Rhein Westfalia and the local organizers were the Hungarian Accounting Association and the Hungarian Ministry of Finance.

46. In 1991, KPMG conducted a 10-day high-level seminar in Dusseldorf on accounting and auditing for Hungarian finance directors and chief accountants. The sponsor was the government of North Rhein Westfalia. The local organizers were the Hungarian Accounting Association and the Hungarian Ministry of Finance.

47. In 1991, KPMG conducted three 10-day workshops in Budapest on banking and financial transactions for Hungarian bank managers at the second and third levels. The sponsor was the government of North Rhein Westfalia and the local organizers were the Hungarian Accounting Association and the Hungarian Ministry of Finance.

48. In 1991, KPMG conducted four 5-day workshops in Budapest on privatization and company evaluation. The participants were financial directors and chief accountants. The sponsor was the government of North Rhein Westfalia and the local organizers were the Hungarian Accounting Association and the Hungarian Ministry of Finance.

2. United Kingdom programmes

(a) Foreign and Commonwealth Offices Know-How Fund/Price Waterhouse/CIPFA

49. A practitioner-oriented programmme, entitled Accountancy Crash Training Programme, was conducted in Hungary to retrain senior accountants in accounting concepts and principles and the requirements of the new Hungarian accountancy legislation. The organizing entities were Price Waterhouse and the Chartered Institute of Public Finance and Accountancy (CIPFA). The training of 200 core trainers took place for two weeks in August and September 1991. The courses for the "target group" of 11,000 practising accountants took place in the autumn of 1991 and will continue through the spring of 1992. The project involved 164 days of consultants' time in 1991. The objectives of the programme were to ensure that course participants are aware of the wider European and international context in which the Hungarian Accounting Act has been developed; to facilitate detailed knowledge and

understanding of the provisions of the Hungarian Accounting Act; to emphasize the importance of the choices that will be available to practising accountants when exercising the business judgements available under the Act; to contribute, through training, to the process of orienting practising accountants to the needs of a market economy; and to make participants aware of the implementation issues that they will have to face when applying the provisions of the Accounting Act.

50. The curriculum was specifically tailored to the need for training the target group in how to prepare financial statements under the new Hungarian Accounting Act. The same material was used to train the 200 core trainers. The project costs of £145,000 were provided by the Know-How Fund. Local currency costs, hotels, preparation of subsistence materials, local fees and course venues for training the 200 core trainers were provided by the Hungarian Ministry of Finance. The courses for the target group were self-funding and all trainer, development and venue costs were recovered from fees charged to the participants. The courses were conducted in Hungarian.

51. The emphasis was on financial accounting, with particular attention given to the new accounting legislation's approach to complying with the fourth EC directive. However, the Price Waterhouse experts found that, within the guidelines of the directive, there were matters to be dealt with at the individual country level. Those matters included the development and design of accounting systems and procedures, inland taxation requirements, accounting for taxation, management accounting, and audit training.

52. The Institute of Chartered Accountants in England and Wales and the Scottish and Irish Institutes signed a cooperation agreement in 1991 with the Association of Hungarian Accountants.

(b) Chartered Association of Certified Accountants (ACCA)

53. The Association conducted an auditing training programme, which was organized with the Hungarian Ministry of Finance and the Hungarian Association of Auditors and supported, in part, by PHARE (see para. 27).

3. Price Waterhouse programmes

54. In 1991, Price Waterhouse trained over 300 Hungarian private-sector managers in Western accounting and financial concepts. The training was done for specific clients. None of the training was publicly funded; expenses were paid by the companies receiving the training. Price Waterhouse has a separate department dealing with training which has staff experts in both accounting and training methodology. The location of the programmes was Budapest and the average number of managers trained per session was 20. Some of the programmes were based on the new Hungarian Accounting Act which was passed by the Hungarian Parliament in May 1991. The drastic changes in accounting practices supported the need for training. Price Waterhouse plans to train over 600 managers in 1992.

E. Poland

55. As part of the transition to a market economy, the Government introduced new laws on accounting and auditing in 1991, requiring new standards of accounting and disclosure. The laws require enterprises to prepare financial statements to comply with international standards and to have them audited. There will be a period of transition which will last some years as enterprises adjust to the new market environment and to their statutory requirements and increasing responsibilities. (Their current responsibilities are to produce information for various ministries and regulatory bodies.)

56. According to an expert assessment conducted by the firm of Coopers & Lybrand Deloitte, Polish auditors are responsible for the adjustment and assessment of profits for tax purposes. Polish auditors also provide a report for ministries and regulatory bodies, setting out in detail the work they have carried out and their findings. This differs from a Western-style audit in which the auditor provides a short published report stating whether or not the position and results of the enterprise are properly shown in its published financial statements. Such a report has a number of users in mind since, generally, financial statements are publicly available. Polish audits will need to change as investors and other user-groups come to rely on the audit report as evidence of the validity of published accounting information used to evaluate the financial performance and position of enterprises.

1. German programmes

57. In 1989-1990, KPMG sponsored seven 10-day workshops in major Polish cities on accounting and auditing according to Western standards. The participants were predominantly financial directors and chief accountants. The sponsoring agencies were the World Bank and the government of North Rhein Westfalia. The local organizer was the Polish Accounting Association.

58. In 1991, KPMG conducted 10 five-day workshops in major Polish cities on privatization and company evaluation. The participants were practitioners, finance directors and chief accountants. The co-sponsors were the Ministry of Foreign Affairs and the government of North Rhein Westfalia. The local organizers were the Chartered Institute of Polish Accountants and the Polish Ministry of Finance.

59. In 1991 KPMG conducted a five-day high-level workshop in Scheiden on accounting and auditing. The participants were chief accountants. The sponsor was the government of North Rhein Westfalia, and the organizers were the Chartered Institute of Polish Accountants and the Polish Ministry of Finance.

2. French programmes

60. The Institutes of the Ordre des experts comptables and the Compagnie nationale des commissaires aux comptes have signed an agreement with the Association of Accountants in Poland. One hundred teachers have received three weeks of training by six French accounting professionals in Poland. Trainers are to be sent to information seminars in Paris.

3. United Kingdom programmes

61. The Institute of Chartered Accountants in England and Wales and the Scottish and Irish Institutes joined with the Association of Polish Accountants in early 1991 to set up the Polish-British/Irish Accountancy Association which provides support, know-how and a forum for debate to emerging Polish accounting professionals.

(a) Foreign and Commonwealth Offices/Know-How Fund

62. The Accountancy development and training project in Poland began in 1990 and will last five years. The total estimated cost of the project is £4,261,459. The national Polish counterpart for the project is the Council of Accounting, appointed by the Ministry of Education Task Force for Training and Human Resources. The project is being carried out by three consortia of institutions: the Gdansk region (which includes Gdansk, Sczcecin and Poznan) is linked to a group led by Stirling University and includes Glasgow Polytechnic Institute; the Lodz region (which includes Lodz, Warsaw and Torun) is linked to Newcastle Polytechnic Institute which is working with Bangor University and Price Waterhouse; and the Krakow region (which includes Krakow, Katowice and Wroclaw) is linked to Bristol Polytechnic Business School which is working with Bath University and the local accounting firm of Solomon Hare.

63. The overall objective of the project is to provide the Polish economy with the services of accountants who have the required skills and experience to operate in a market economy. The immediate objectives are to produce a self-sustaining programme of accountancy education and training related to the needs of a market economy to be provided by Polish personnel from Polish resources; to assist the reintegration of the Polish accountancy profession into the wider international accountancy community; to increase the number of entrants to accountancy first-degree courses by 250 per cent in five years; and to support close practical collaboration between all the different accountancy education and training organizations within Poland.

64. The designers of the project made recommendations for Polish institutions to implement throughout the project, including the following:

(a) The number of accounting educators should be increased in order to cover the expected increase in the number of accountancy students and to enable different specializations to be developed (e.g., financial accounting, management accounting, public sector accounting);

(b) The number of first-degree students specializing in accountancy at institutes of higher education should be increased by 250 per cent in order to meet the future demand for accountants in Poland;

(c) The number of class hours in accounting should be increased to one third of the total for students specializing in accounting at the degree level;

(d) Business education courses should be introduced into institutes of higher education and vocational schools; business studies courses should aim to devote one sixth of the total class contact hours to accounting subjects;

(e) Accounting specialists in institutes of higher education should be affiliated with the European Accounting Association and should participate in its annual congress.

(b) Coopers & Lybrand/British Council

65. The British Council managed a programme entitled "Development of auditing standards and capability in Poland", undertaken by the firm of Coopers & Lybrand Deloitte, in which 120 audit trainers were trained in collaboration with the Association of Accountants in Poland. Courses were held in a training centre in Jachranka. The programme - also called the Cascade Training Programme - was concerned in particular with the development of auditing standards and the capability to meet the requirements of new accounting and auditing laws. It introduced auditors to the skills, information, techniques and practices used in a Western-style audit under the guidelines of the International Federation of Accountants. There may be a second phase of this programme, on producing an audit manual.

66. The objective of the first stage of the programme was to provide a pool of 120 Polish trainers with the resources and knowledge to enable them to develop and present future courses to Polish auditors. The syllabus was drawn up jointly by the Association of Accountants in Poland and Coopers & Lybrand Deloitte, and was approved by the Ministry of Finance. The subjects included the international business and accounting environment; management accounting; group accounting; new Polish accounting principles; auditing annual financial statements; and auditing under the new Polish requirements. The first course was a pilot test in the event that revision in the course content was necessary. Many participants felt that management accounting was not essential, since most of the principles were already well known to them. Course materials were written specifically for the programme by the Association of Accountants in Poland and Coopers & Lybrand Deloitte, developed in English and translated into Polish. Course One was held from 4 to 24 May 1991. Course Two was held from 9 to 27 September 1991. Courses Three/Four were held from 30 September to 18 October 1991. A high level of follow-up and monitoring is planned.

(c) Chartered Association of Certified Accountants (ACCA)

67. The Association has prepared an evaluation of proposed school and college accounting syllabuses for the Polish Ministries of Education and Finance.

F. Romania

68. Romania has drafted a new accounting law which complies with the EC directives. It has also prepared a new chart of accounts for use in 1992.

1. French programmes

69. The French Institutes signed an agreement with the Romanian Ministry of Finance by which 150 trainers were trained in accounting in a market economy by 12 French professionals over a three-week period. Various information seminars were also held in Paris. Audit training has also been provided.

2. European Community programmes

70. In July 1991 the European Commission approved a programme of technical assistance for Romania amounting to ECU 22 million, under the 1991 PHARE programme. The programme has three main objectives: to assist Romania in the modernization of public administration; to initiate and assist in reforms in key sectors; and to encourage the growth of the private sector. About ECU 6 million have been allotted to the financial sector for technical assistance and training in accounting and auditing, implementation of the banking sector reform, and setting up a supervisory body for the insurance sector. Implementation of the technical assistance programme is coordinated by the Agency for Romanian Development.

G. Former Union of Soviet Socialist Republics

71. The former USSR embarked on a programme of accounting reform in 1990. The Ministry of Finance decided that the most practical approach would be to retain the format of the chart of accounts while modifying the recording of transactions according to international standards. To accomplish this revision, it invited the United Nations Centre on Transnational Corporations to form an international task force to make recommendations. Work was completed in October 1991 and the new chart was accepted by the (former USSR) Ministry of Finance on 1 November 1991. The functions of the Ministry were taken over by the Russian Ministry of Finance, which adopted the new chart on 19 December 1991. Plans are under way to continue the process of accounting reform and to implement the new chart. If a single economic space is to be created, it would be useful if the other Independent States also adopted the new chart rather than creating 11 different ones.

1. European Community programmes

72. The European Community's Sectoral Support Programme for financial services has budgeted ECU 3.5 million for accounting and auditing assistance to the former USSR. One million ECU will go for legislative assistance;

2 million ECU will be for the training of accountants and auditing personnel of major auditing companies and of finance ministries; 200,000 ECU will go towards assistance for the extension of services provided by the Chamber of Auditors, and 300,000 ECU will be spent on a feasibility study for the establishment of an international accounting and auditing centre in St. Petersburg.

2. German programmes

73. In 1989-1990, KPMG sponsored five 10-day workshops in St. Petersburg and Moscow on Accounting and auditing according to Western standards. The participants were university professors and lecturers, assistant professors, high-level accounting students, finance directors and chief accountants. The sponsoring agencies were the Ministry of Foreign Affairs of the Federal Republic of Germany, Carl Duisberg Gesellschaft and the United Nations Centre on Transnational Corporations. The local organizers were the Leningrad Engels Soviet Trade Institute, the Moscow Finance Academy and the Higher Commercial Management School.

74. In 1991, KPMG conducted eight 10-day workshops in Moscow and major cities of the Russian Federation on Accounting and auditing according to Western standards. The participants were financial directors and chief accountants. The sponsors were the Ministry of Foreign Affairs of the Federal Republic of Germany and the government of North Rhein Westfalia. The local organizers were the Moscow Finance Academy and Plekhanov Institute.

75. In 1991 KPMG conducted a 10-day high-level seminar in Dusseldorf on auditing and accounting. The participants were finance directors and chief accountants. The sponsor was the government of North Rhein Westfalia.

76. In 1991, KPMG conducted five 10-day workshops in Moscow and other major cities of the Russian Federation on banking and financial transactions. The participants were bank managers at the second and third levels. The sponsor was the government of North Rhein Westfalia, and the local organizer was the Plekhanov Institute.

77. In 1991, KPMG conducted a 10-day workshop in Dusseldorf for bank managers at the second and third levels. The sponsor was the government of North Rhein Westfalia and the local organizer was Plekhanov Institute.

3. United Nations programmes

United Nations Centre on Transnational Corporations (UNCTC)

78. The UNCTC Seminar on Accounting for and by East West Joint Ventures in Centrally Planned Economies (Moscow, 13-15 June 1989) brought together over 150 people from government, local firms, transnational corporations and educational institutions. The seminar was intended to promote the

understanding of joint venture accounting practices in the USSR and elsewhere; to explore ways to improve comparability; and to identify areas for accounting training. It was the first public discussion of problems in accounting for East/West joint ventures and led to revisions in the USSR accounting regulations.

79. The seminar papers have been published in English under the title Accounting for and by East/West Joint Ventures in Centrally Planned Economies. 1/ A Russian version will be published in February 1992.

80. A workshop on the finalization of accounting curricula (Moscow, 22-23 September 1989) was convened to discuss the curricula and finalize organizational arrangements for a three-part national programme of accounting training requested by Soviet experts during the June joint ventures seminar (see para. 78).

81. Three curricula were prepared, each oriented to a specific audience:

(a) Programme I: Academic programme for final-year accounting students. Covering 60 hours of class, the purpose of this programme is to educate final-year university-level accounting students in international accounting concepts and practices;

(b) Programme II: Workshops in accounting for joint venture personnel, accountants, regulators. The purpose of these workshops is to bring practitioners in joint ventures (and prospective joint ventures), state enterprises and government up to date in the requirements of accounting and auditing according to new regulations;

(c) Programme III: Training for instructors in institutions of higher learning. The programme is meant to retrain accounting faculty in the former USSR in the concepts, standards and practices of international accounting.

82. The curricula were published, in English and Russian, in Curricula for Accounting Education for East/West Joint Ventures in Centrally Planned Economies. 2/ They are being made available to major accounting departments of institutions of high learning in the former USSR.

(a) Programme I. Courses on the basis of the first curriculum were conducted in the autumn of 1989. The participating universities were the Moscow Plekhanov Institute, Moscow State University, Leningrad Engels Soviet Trade Institute, Moscow Finance Institute, Moscow State Institute of International Relations and Kiev State University. The international accounting firms of Ernst and Young, Deloitte & Touche/DRT-International, Coopers & Lybrand Deloitte, Price Waterhouse, KPMG Deutsche Treuhand-Gesellschaft and Arthur Anderson provided instructors pro bono. DRT-International and Coopers & Lybrand Deloitte offered the course again in 1991 and Arthur Anderson plans to offer the course in 1992;

(b) Programme II. Seminar on Auditing in the USSR (Moscow, 1-2 February 1991). The Centre and the accounting firm DRT-INAUDIT co-sponsored a seminar which was attended by over 200 government officials, practitioners and academicians. The seminar was designed to acquaint Soviet auditors with the audit process as it is practised in the West and with issues surrounding the organization of the accountancy profession. International experts spoke on such topics as the purpose of auditing, types of audits, the auditing process itself and the establishment of an auditing profession;

(c) Programme III. This programme to train university professors will commence in the spring of 1992 with the help of the Know-How Fund (United Kingdom). It will be coordinated by the British Council and UNCTC with the help of the Association of Accountants. During the first year, 120 professors will be trained in four main centres. They will also receive training and internships in the United Kingdom. Professors will not only learn Western concepts and practices but will also apply them to the new chart of accounts. During the second and third years, institutional links will be forged so that assistance can be given on curriculum and pedagogical development.

83. In addition, key international accounting and economics textbooks are being translated into Russian by participating Soviet universities.

H. Yugoslavia

1. United Kingdom programmes

(a) Chartered Association of Certified Accountants (ACCA)

84. In April 1991 ACCA signed an agreement with the Serbian Association of Accountants and Auditors, for both education and training consultancies. It also involves courses for assisting the Serbians to develop internationally recognized professional qualifications, to provide essential training in modern auditing techniques and to update teaching and learning methodology in the higher education sector. The programme of courses and consultancies has continued during the recent political hostilities. In early 1992 it should extend to training and consultancy for business development.

85. ACCA has entered into a contract with the Association of Accountants and Auditors of Serbia for the following:

(a) In June 1991 two "training for trainers" courses of two days each, for groups of 25 university academics. The courses were taught by ACCA personnel and by a professor from Farnborough College of Technology;

(b) Training needs assessment, including a review of academics and professional business education standards and conforming the curriculum to the eighth directive of the EC. The project will be undertaken by ACCA personnel and by a professor from Farnborough College of Technology;

(c) In November 1991, a one-week introductory programme in Belgrade entitled "Introduction to auditing", with 30 participants from government and the private sector. The programme was taught by ACCA personnel.

2. United States programmes

86. In 1992, the United States Agency for International Development (USAID) and personnel of the University of Kentucky will conduct a programme at Zagreb University. It will train faculty and selected Yugoslavian government officials in economics, accounting management, finance and marketing. Cost: $100,764.

Notes

1/ Atlanta (Ga.), Lafferty Publications, 1991.

2/ UNCTC Advisory Studies, No. 6 (Series B) (United Nations publication, Sales No. E.90.II.A.2).